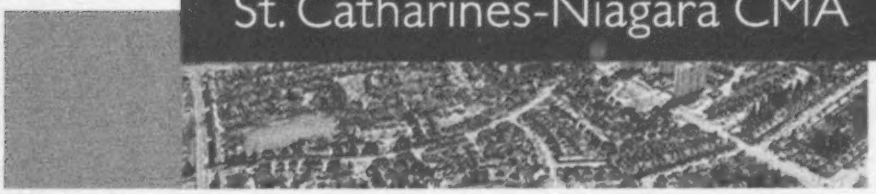
HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK

St. Catharines-Niagara CMA



Canada Mortgage and Housing Corporation

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New Home Market

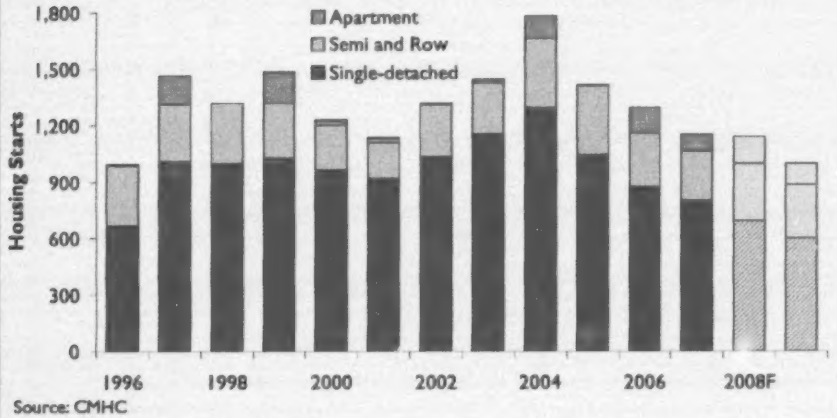
New Home Construction Under Pressure

New home construction will ease back by 12 per cent to around 1,000 homes in 2009 from 1,140 home starts in 2008. The contraction will be felt across all housing types, with the number of single-detached home starts easing off by about 13 per cent. Given their popularity, townhouse starts will moderate by only 8.3 per cent. The lower number of starts is attributable to uncertainty about economic prospects, limited land supply, demographic changes and more selection in the resale home market.

Construction of single-detached homes will continue to moderate because of land supply limitations.

Figure 1

New Home Construction Retreats



Source: CMHC

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This will translate into higher prices, especially in the relatively built-up northern part of St. Catharines-Niagara. Given the land supply limitations and Greenbelt legislation constraints in the north, more active residential construction is expected to occur in the southern areas of the region.

Single-detached homes will also continue to lose their attraction due to changes in the region's demographic composition. The declining average number of persons per household suggests that smaller households will require smaller and less expensive homes. Moreover, an aging population will need to live closer to amenities, in homes which are easier to maintain than single-detached houses. In some cases, wealthy seniors will move from small single-detached houses to larger condominium apartments. This is still a movement to higher-density housing. To accommodate a growing population of older people, there will be more construction of townhouses and apartments, more retirement home building and many redevelopment projects. Some of these projects are expected to take place in former industrial sites abandoned by the manufacturing industry.

Prices for new homes will continue to grow although at a slower pace than in 2008. Rising residential construction costs associated with land supply constraints and higher development charges will account for the major part of the increase. Increasing concrete and steel costs will also contribute to higher costs for high-rise construction. Consequently, in 2009, there will be a shift to more modestly-priced housing which will lower the average price.

The softening and well-supplied resale market will offer a broader selection of homes for buyers thereby encouraging more interest in resale homes which are more affordable relative to the new home market. The price differential between Toronto and St. Catharines-Niagara homes, on the other hand, will continue to attract many well-off households from Toronto area, especially among people of pre-retirement age and those whose commutes are less-than-daily because of workplace flexibility. This will provide some support to the slowing market.

Resale Market

Back to Balance

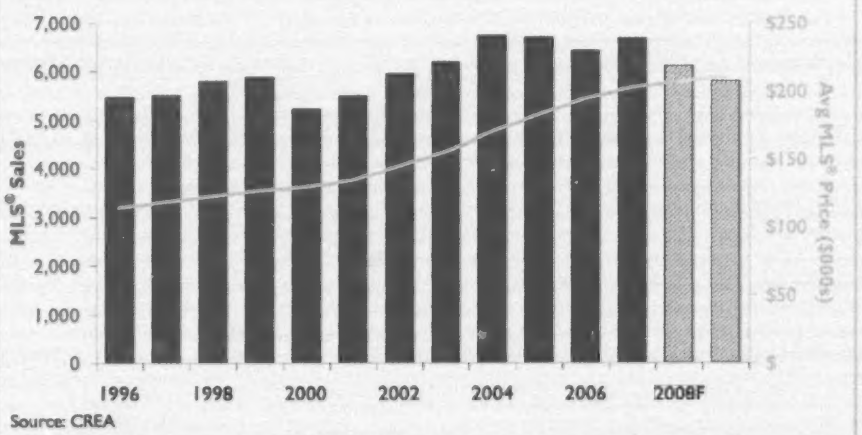
Sales are forecast to moderate again in 2009 by 4.9 per cent to 5,800 transactions. A moderation in employment, slow growth in earnings and less migration are the main factors behind the projected tapering off. Prices increasing at a more subdued pace will mitigate the decline in demand.

The region is losing population to all other areas in Canada except for Toronto and Hamilton. Since people moving to St. Catharines-Niagara tend to be older than those leaving, there will not be as many first-time buyers coming to the region. At the same time, the housing demand of incoming migrants from Toronto and Hamilton will be probably more concentrated in the adult lifestyle housing segment of new homes.

The number of listings in 2009 is expected to trend slightly higher to the 12,600-level which is a moderate gain of 0.8 per cent after the 6.7 per cent increase in 2008. The sales-to-new-listings ratio will move down to balanced market territory at around

Figure 2

Home Sales Slip Further Slowing Price Growth



Source: CREA

49 per cent in 2008. The ratio will ease down slightly in 2009.

The greater selection in the resale market will underlie the deceleration in the growth of resale home prices to 1.9 per cent, a rate similar to inflation. Buyers will have definitely more options to find a home of their choice. Resale home prices have been growing slower than new home prices in 2008. This is forecast to change in 2009 as builders will start sensing demand for new homes is declining. As a result, the resale price growth will again outpace new home price growth, but both will be slower than in the past.

migration into the region is not expected to be strong, the labour force will be shrinking.

Several strong service-producing sectors, particularly health care, public administration and, to a lesser degree, educational and financial services, will have better performance somewhat offsetting job losses in other sectors. Even tourism sector which is perceived to be very vulnerable to the fluctuations in the value of the Canadian dollar has been doing relatively well. Although the number of trips by US citizens is down significantly, a steady inflow of international tourists and more domestic travellers have sustained the tourist industry.

Average weekly earnings will grow in 2009 but at a slower rate than in 2008. Some service sectors are adding relatively high-wage jobs.

The regional economy is becoming better positioned to weather economic downturns thanks to diversification of the production base. Also, the region is gradually shifting more to the creation of many smaller but more viable businesses which replace large plants.

Economic Factors

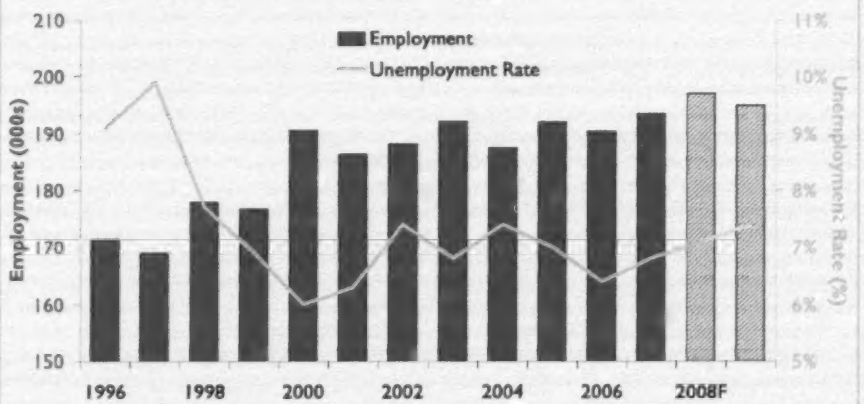
Local Economy to Contain the Slowdown

In 2008, the labour market has been strong creating slightly over two per cent more new jobs. In 2009, the economy is not expected to perform as strongly. Employment is forecast to moderate by 0.7 per cent and the unemployment rate will edge a little higher.

The moderating employment picture is also consistent with demographic trends. The region has one of the oldest and slowest growing populations in Canada. More and more baby-boomers will be retiring in the coming years and since the

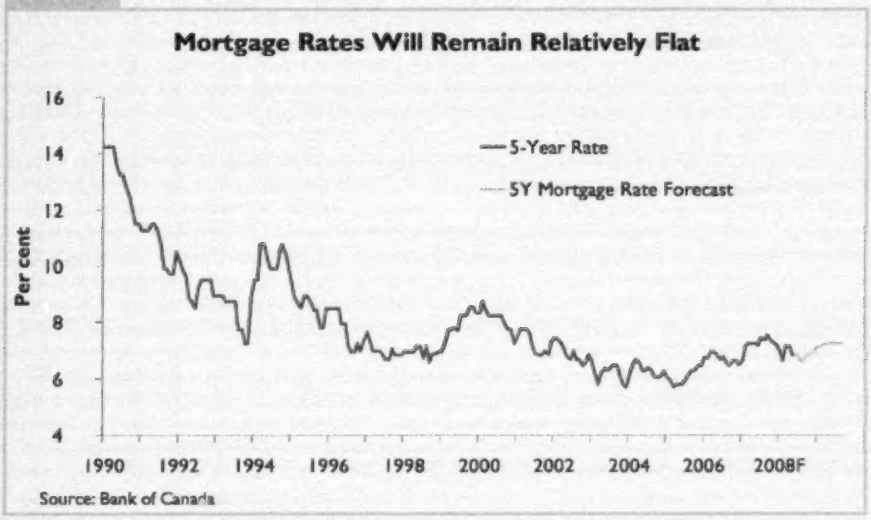
Figure 3

Labour Market Still Remains Strong



Souce: Statistics Canada

Figure 4



Mortgage Rates

Mortgage rates are expected to be relatively stable throughout the last quarter of this year, remaining within 25-50 basis points of their current levels. Posted mortgage rates will decrease slightly in the first half of 2009 as the cost of credit to financial institutions eases. Rising bond yields, however, will nudge mortgage rates marginally higher in the latter half 2009. For the last quarter of 2008 and in 2009, the one year posted mortgage rate will be in the 6.00-6.75 per cent range, while three and five year posted mortgage rates are forecast to be in the 6.50-7.25 per cent range.

Forecast Summary
St. Catharines-Niagara CMA
Fall 2008

	2005	2006	2007	2008f	% chg	2009f	% chg
Resale Market							
MLS® Sales	6,698	6,410	6,668	6,100	-8.5	5,800	-4.9
MLS® New Listings	10,874	11,661	11,710	12,500	6.7	12,600	0.8
MLS® Average Price ($)	182,443	194,671	202,314	207,000	2.3	211,000	1.9
New Home Market							
Starts:							
Single-Detached	1,043	873	798	690	-13.5	600	-13.0
Multiples	369	421	351	450	28.2	400	-11.1
Semi-Detached	76	102	60	50	-16.7	40	-20.0
Row/Townhouse	288	184	207	240	15.9	240	0.0
Apartments	5	135	84	150	78.6	120	-20.0
Starts - Total	1,412	1,294	1,149	1,140	-0.8	1,000	-12.3
Average Price ($):							
Single-Detached	286,920	323,359	342,933	357,000	4.1	363,000	1.7
New Housing Price Index (% chg.)	6.9	4.7	4.1	3.5	-	3.0	-
Rental Market							
October Vacancy Rate (%)	2.7	4.3	4.0	3.8	-0.2	3.5	-0.3
Two-bedroom Average Rent (October) ($)	736	752	765	780	-	795	-
Economic Overview							
Mortgage Rate (1 year) (%)	5.06	6.28	6.90	6.75	-0.15	6.31	-0.44
Mortgage Rate (5 year) (%)	5.99	6.66	7.07	7.05	-0.02	6.92	-0.13
Annual Employment Level	191,900	190,200	193,500	197,000	-	195,000	-
Employment Growth (%)	2.4	-0.9	1.7	1.8	-	-1.0	-
Unemployment rate (%)	7.0	6.4	6.8	7.1	0.3	7.4	0.3
Net Migration [1]	88	-543	-50	460	510	680	220

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over; MLS® data includes the St.Catharines, Niagara, and Welland boards
(1) 2007 migration data is forecasted

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